



U.S. Department  
of Transportation

**Maritime  
Administration**

Administrator

400 Seventh Street, S.W.  
Washington, D.C. 20590

MAY 18 2000

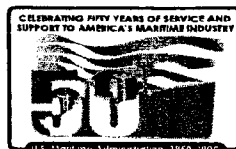
Mr. Seoung-Yong Hong  
Vice Minister  
Ministry of Maritime Affairs and Fisheries  
139, Chungjong-no 3-ka  
Seodaemun-ku  
Seoul, 120715, Korea

Dear Mr. Minister:

I appreciated the opportunity of meeting with you and your delegation in Seoul on March 6 and discussing maritime issues of concern to our governments. I believe we had a quite productive meeting and exchange of views, and I am pleased to note that most maritime trade problems that have existed between our governments have been favorably resolved. However, as I indicated during that meeting, I am sending this letter to provide you with a statement of our concerns with respect to the question of access by third-flag carriers to the Korea-China trade and to propose the next steps that I believe need to be taken in order to resolve this issue.

At our meeting, I reaffirmed that a major concern of the United States is the continued exclusion of U.S. carriers from the shipping trade between Korea and China. In view of the fact that Korean and Chinese flag vessels enjoy unlimited access to the United States' extensive and active international cross trade routes, it is unacceptable that U.S. vessels continue to be barred from equivalent access to the trade between Korea and China as the result of concerted action by your government and that of China. Moreover, while both Korea and China have separately given assurances to my government on more than one occasion that they do not object to access by our carriers to this trade, such access is still denied by a non-transparent process controlled by your government and China.

In our view, the market conditions that presently govern the access of Korean and Chinese carriers to the U.S. foreign trade must also apply to access of third-flag carriers -- and any vessels that they own, operate or charter -- to the trade between Korea and China. Therefore, in



response to market forces, U.S. carriers should be able to enter that trade immediately without permission of either your government or of China. On March 6, you informed me that your government fully supports immediate access of U.S. carriers, using any commercial vessels that they choose (line haul or feeder), to the China-Korea shipping market. The Chinese government publicly asserted a similar position in subparagraph 2(B) of Agreed Minutes that China and the United States signed on March 3 in Beijing (copy enclosed). Therefore I urge you to take the necessary steps immediately to make this access effective.

As both your government and the Chinese government have stated on numerous occasions that there are no objections to the participation of U.S. carriers in the China-Korea trade, we must ask why this permission has not been granted. It is clearly time for this issue to be resolved, so that my government will not be obliged to consider alternative actions. It is in our mutual interest that our carriers will gain access to this trade.

I look forward to your early response. I am providing a copy of this letter to the Chinese authorities in the hope that it will facilitate your discussions with them. I also will release it to the public shortly, in the interests of market transparency.

Sincerely,

A handwritten signature in black ink, appearing to read "Clyde J. Hart, Jr.", written in a cursive style.

Clyde J. Hart, Jr.  
Maritime Administrator

Enclosure

## AGREED MINUTES

Maritime delegations of the Governments of the People's Republic of China and the United States of America held negotiations on a new bilateral maritime agreement, as well as discussions of other shipping issues in Beijing, February 29-March 3, 2000. The Chinese delegation was chaired by Vice Minister of Communications Hong Shanxiang. The United States delegation was chaired by Clyde J. Hart, Jr., Maritime Administrator, Department of Transportation. The talks were held in a friendly, frank and open atmosphere and achieved some positive results. The following is a summary of the talks.

### 1. Maritime Agreement

During the four-day meeting the delegations conducted negotiations on a new bilateral maritime agreement and made progress toward creating an agreed text. Both sides agreed to continue negotiations on the final text of the Agreement.

### 2. Other Shipping Issues

A. The U.S. delegation requested information on the status of China's draft regulations on the registration of bills of lading and freight filing system, noting that the United States (in two letters to the Ministry of Communications) and other countries had offered comments on the draft. The Chinese delegation responded that the regulations remained in draft form and were open to further comment by interested parties. The Chinese delegation stated that the intent of the Ministry of Communications is to regulate liner shipping in accordance with international practice in the shipping business, taking account of the situation in China. The Chinese delegation stressed that the Chinese government does not interfere in the negotiation of shipping rates by shippers and carriers. The U.S. delegation noted this statement with appreciation.

B. The U.S. delegation expressed its continuing concern that U.S. carriers are denied access to the maritime trades between China and Korea. The Chinese side responded that U.S. carriers are welcome in all of China's international shipping trades. The Chinese side does not object to participation in the China-Korea trades by carriers of third parties. The Chinese delegation



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suggested that the U.S. side may make a request to the authorities in Seoul and that in addition China would discuss the matter with the Korean government. The U.S. delegation said that it would shortly visit Seoul and take up this issue with the Korean government.

- C. The U.S. delegation asked for information on China's efforts to resolve a problem of U.S. carriers not being able to renew their freight forwarder licenses in Shenzhen last year. The non-renewal of these licenses resulted in the U.S. carriers being unable to issue freight invoices that were recognized by Chinese tax authorities. The Chinese delegation informed the U.S. delegation that as a result of extensive consultation between MOC and other Chinese agencies, a joint regulation had been issued by MOC and the State Taxation Authority with regard to new invoices to be used for booking cargo by shipping companies and shipping agency companies. The Chinese delegation stated that immediately after the implementation of this regulation on April 1 of this year, shipping companies doing business in China would be able to use the new invoices.
- D. The U.S. delegation requested that China allow U.S. carriers to establish full function branch offices in inland cities. The Chinese delegation noted the request of the U.S. delegation, and confirmed that there are no numerical limitations on branch offices in coastal ports.
- E. With respect to the operations of U.S. carriers in China, Mr. Hart on March 1 presented to Vice Minister Hong a list of applications that American President Lines had made to the Chinese government for the purpose of improving its operations and service to customers in China. The Chinese delegation stated that it will be taken into sincere consideration, and a reply will be given as soon as possible.
- F. The Chinese delegation expressed its continuing strong concern that Chinese shipping companies are deemed as 'controlled carriers' and are subject to discrimination in the United States, and urged the U.S. side to take further measures in resolving this problem so as to provide a fair environment for the business activities of the Chinese shipping companies in the United States. The U.S. delegation noted that all government owned carriers are subject to the provisions of the Act. However, the U.S. side undertook to present the views of the Chinese delegation to the Federal Maritime

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Commission.

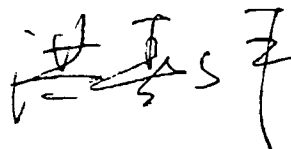
Done in Beijing on March 3, 2000 in duplicate, in the English and Chinese languages, both texts being equally authentic.

Head of the Maritime Delegation of  
the United States of America



Clyde J. Hart, Jr.  
Maritime Administrator  
Department of Transportation

Head of the Maritime Delegation of  
the People's Republic of China



Hong Shanxiang  
Vice Minister of Communications